

Status of Audit Resolution

December 2003

Agency: 490

Department of Natural Resources

Audit Number	Finding Number
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2002S	07	Finding:	Some restricted funds administered by the Department of Natural Resources were charged more than their share of overhead costs.
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Resolution/Status: The Department concurs with this finding and has taken the following corrective action:

- Calculated the overhead allocation for all funds (excluding federal funds) for 2001-03 based on the actual Full Time Equivalent (FTE) rate for the 1997-99 biennium as the provisional rate used for budget purposes.
- Calculated the actual FTEs for 2002 and compared this to the budgeted rate for 2001-03.
- Adjusted the Fiscal Year 2002 distribution of overhead costs prior to the audit. Adjustments to the distribution of Fiscal Year 2003 overhead costs were also made.
- Submitted a supplemental budget item to the Legislature to cover the past two biennium undercharges to General Fund-State and to reimburse the restricted funds for the overhead overpayment. This request was not included in the Governor's supplemental budget or the final supplemental budget. A request for the necessary fund transfers to address this issue was included in the Department's 2003-05 budget request. This request was not contained in the 2003-05 enacted budget; however, proviso language was provided as follows: "For the 2003-05 fiscal biennium, the department has revised the methodology by which administrative costs of the department are allocated among the state general fund and the various dedicated funds and accounts from which the department receives appropriations. The legislature recognizes that the revised methodology represents a fair and equitable allocation of costs under state law and accounting rules. Retroactive application of the revised methodology is neither practical nor desirable." The State Auditor's Office has agreed that this legislative language has resolved the prior biennia issue.

Regular adjustments of overhead costs by fund to align with actual staff charges will continue to be made throughout 2003-05.

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